



FINANCIAL HIGHLIGHTS

The principal financial statements in the Financial Management and Analysis section of this report summarize the Department's financial position, net cost of operations, and changes in net position; provide information on budgetary resources and financing; and present the sources of disposition of custodial revenues for FY 2004 and FY 2003. Highlights of the financial information presented in the principal financial statements are discussed in this section.

Analysis of Financial Statements

An unqualified audit opinion indicates that the agency's information is reliable. The Office of the Inspector General (OIG) has rendered an unqualified opinion on DOT's FY 2004 financial information. DOT had two continuing and two new material weakness addressed in its related audit, resulting in a total of four material weaknesses for FY 2004. The Department continues efforts to improve its compliance with the requirements of the Federal Managers' Financial Integrity Act (FMFIA). Additionally, DOT's management takes responsibility for the objectivity and integrity of the financial information presented in the financial statements contained in this report.

Net Cost of Operations

The net cost of DOT operations for FY 2004 was \$54 billion (\$58 billion in FY 2003), as reflected in the *Consolidated Statement of Net Cost* as of September 30, 2004. This figure was a decrease of about 7 percent compared to the FY 2003 cost of operations.

Of the \$54 billion in FY 2004 for DOT's net cost of operations, 76 percent (70 percent in FY 2003) was from surface transportation, 23 percent (21 percent in FY 2003) from air transportation, 0.4 percent (1 percent in FY 2003) from maritime transportation, 0 percent (0 percent in FY 2003) from crosscutting programs, and 0.6 percent (0.6 percent in FY 2003) from costs not assigned to any particular program.

For surface transportation, a large amount of the net cost was identified in connection with the Highway Trust Fund (\$31 billion). The majority of air transportation cost was from FAA (\$12 billion).

Program Costs

Program costs generally experienced increase in FY 2004 compared to FY 2003 in surface, air, maritime, and cross-cutting programs. From FY 2003 to FY 2004, Surface Transportation cost experienced an increase of about \$873 million, Air Transportation increased by \$195 million, and Maritime Transportation decreased by about \$602 million (FY 2003 restated).

Intra-Departmental Eliminations

The Department of Treasury is requiring that all agencies confirm and reconcile intragovernmental transactions with their trading partners, including transactions occurring within DOT or outside DOT. This includes fiduciary (investment/borrowing with Treasury, DOL Federal Employees' Compensation Act liabilities, OPM employee benefits) and non-fiduciary (that is buy/sell goods and services, reimbursables, transfers) intragovernmental transactions. Fiduciary confirmation/reconciliations are done through the Web-based confirmation system (IFCS). Non-fiduciary confirmations are done manually. Treasury strongly recommends the use of confirmation forms to confirm/reconcile non-fiduciary intragovernmental balances. DOT is requiring its Operating Administrations to report intragovernmental balances in their Treasury FACTS I reports and financial statements, which must be in agreement.

Treasury is also requiring CFO representations for the confirmation/reconciliation of intragovernmental activity and balances. These representations will provide assurances for the intragovernmental balances included in the financial statements. Additionally, the OAs will be

required to submit representations using a standard form.

Assets

Total assets for DOT are \$68 billion for FY 2004 (\$71 billion for FY 2003). The decrease in total assets in FY 2004 is largely attributable to a reduction in investments by \$4 billion. Total intragovernmental assets for DOT are \$51 billion in FY 2004 (\$55 billion in FY 2003). A large portion of this funding came from investments (\$21 billion) and fund balance with Treasury (\$30 billion).

Liabilities and Net Position

Total liabilities for FY 2004 are \$13 billion. Total intragovernmental liabilities experienced a decrease from \$5.2 billion in FY 2003 (restated) to \$4.9 billion in FY 2004. DOT's net position was \$55 billion in FY 2004 (\$58 billion in FY 2003).

Limitations on the Principal Financial Statements

The principal financial statements have been prepared to report DOT's financial position and results of operations, pursuant to the requirements of 31 USC 3515(b). The statements have been prepared from DOT's records in accordance with the generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget. They are additional to the financial reports used to monitor and control DOT's budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.